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ET NO. T-04268A-04-0491

01-24-2005

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1 BEFORE THE ARIZONA CORPORATION COMMISSION

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3 IN THE MATTER OF THE APPLICATION) DOCKET NO.
 4 OF MOHAVE COOPERATIVE SERVICES,) T-04268A-04-0491
 5 INC. FOR A CERTIFICATE OF)
 6 CONVENIENCE AND NECESSITY TO)
 7 PROVIDE RESOLD INTEREXCHANGE AND)
 8 RESOLD AND FACILITIES-BASED LOCAL)
 9 EXCHANGE SERVICES IN THE STATE OF)
 10 ARIZONA AND PETITION FOR)
 11 COMPETITIVE CLASSIFICATION OF)
 12 PROPOSED SERVICES.)

9

10

11

12 At: Phoenix, Arizona

13 Date: January 24, 2005

14 Filed: FEB - 9 2005

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17 REPORTER'S TRANSCRIPT OF PROCEEDINGS

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ORIGINAL



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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before
3 the Arizona Corporation Commission, 1200 West
4 Washington Street, Phoenix, Arizona, commencing at
5 1:30 p.m. on the 24th day of January, 2005.

6
7 BEFORE: TEENA WOLFE, Administrative Law Judge

8 APPEARANCES:

9 For the Arizona Corporation Commission Staff:

10 TIMOTHY J. SABO
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MICHELE E. BALMER
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Certificate No. 50489

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1 ALJ WOLFE: We'll go on the record. Good
2 afternoon, and welcome to the Arizona Corporation
3 Commission.

4 We're here at the time and place set for the
5 hearing in the matter of the application of Mohave
6 Cooperative Services, Inc. for a Certificate of
7 Convenience and Necessity to provide resold
8 interexchange and resold and facilities-based local
9 exchange services in the State of Arizona, and petition
10 for competitive classification of proposed services,
11 Docket No. T-04268A-04-0491.

12 My name is Teena Wolfe, and I'm the
13 Administrative Law Judge assigned to this proceeding.

14 We'll start by taking appearances of the
15 parties, beginning with the Applicant.

16 MR. PATTEN: Michael Patten, Roshka, Heyman &
17 DeWulf, on behalf of the Applicant.

18 ALJ WOLFE: And Staff?

19 MR. SABO: Tim Sabo for Staff, Your Honor.

20 ALJ WOLFE: Okay. This would be the time for
21 taking public comment. Please let the record reflect
22 that there are no members of the public present to make
23 public comment.

24 Mr. Patten, I assume you'll be calling one
25 witness today?

1 MR. PATTEN: Yes, Your Honor.

2 ALJ WOLFE: I see one sitting beside you.

3 And Mr. Sabo, you also?

4 MR. SABO: Yes, Your Honor. We will be calling
5 one witness, Mr. Lebrecht.

6 ALJ WOLFE: Okay. Do you wish to make an
7 opening statement, Mr. Patten?

8 MR. PATTEN: A few opening comments. This is a
9 little bit different than many of the CLEC applications
10 that Your Honor has seen in that typically it's a
11 national company that's operated in other states and
12 comes in to do a UNE-P or some other sort of operation.

13 Mohave Cooperative Services is based in
14 Bullhead City, Arizona, and has been operating doing
15 things such as satellite TV up there. So it's got a
16 relationship in billing and providing service in that
17 area, and they are moving on to projects that would
18 involve actually installing fiber networks in new
19 subdivisions.

20 And not unlike the type of service that Cox
21 Communications provides, those networks will be used to
22 provide high-speed data, video, and telephone service.

23 And they're going to start off not small, but
24 trying not to get too far ahead of themselves, and
25 start with a development outside the Bullhead City area

1 and sort of grow with that community. And, hopefully,
2 take that concept and expand it as seems appropriate.

3 Also, unlike many of the other CLECs you see
4 come in here, Mohave Cooperative Services is actually
5 flush with cash. They are positive income and are able
6 to put those facilities in, and they don't currently
7 have any debt at all. So it's almost the inverse of
8 what you typically see come through here for a CLEC.

9 They've also contracted with a company in
10 California that has done this similar type of project
11 in a couple of communities in California successfully.
12 And, again, that expertise will be used in the Bullhead
13 City area.

14 So that's just to put this in context. It is a
15 little bit different than what these applications
16 typically are.

17 ALJ WOLFE: Thank you, Mr. Patten.

18 Mr. Sabo, do you have any opening remarks?

19 MR. SABO: No, thank you.

20 ALJ WOLFE: Are you ready to call your witness,
21 Mr. Patten?

22 MR. PATTEN: Yes, Your Honor. We call
23 Robert Broz.

24 ALJ WOLFE: And Mr. Broz, I don't know if your
25 familiar with the --

1 MR. BROZ: I'm not.

2 ALJ WOLFE: There's a little button on the base
3 of your microphone.

4 MR. BROZ: Okay. It's green right now.

5 ALJ WOLFE: Then you don't have to do anything
6 to it. Just be seated and the court reporter will
7 swear you in.

8

9 ROBERT BROZ,
10 called as a witness on behalf of the Applicant, having
11 been first duly sworn by the Certified Court Reporter
12 to speak the whole truth and nothing but the truth, was
13 examined and testified as follows:

14

15 DIRECT EXAMINATION

16

17 Q. (BY MR. PATTEN) Mr. Broz, could you please
18 state your full name and your employment position with
19 Mohave Cooperative Services.

20 A. My full name is Robert E. Broz, and I'm
21 president of that organization.

22 Q. And you have in front of you two documents that
23 have been marked as exhibits.

24 A. Yes.

25 Q. The first document marked as A-1 is the

1 application in this docket; and the second one, which
2 has been marked as A-2, is MC Services' response to
3 Staff's data requests.

4 Do you have those two documents in front of
5 you?

6 A. Yes.

7 Q. And have you reviewed those two exhibits?

8 A. Yes, I have.

9 Q. Do you have any substantial revisions or
10 corrections to those?

11 A. No. I do not.

12 Q. And are you adopting those exhibits as your
13 primary testimony today?

14 A. Yes, I am.

15 MR. PATTEN: We would move admission of A-1 and
16 A-2.

17 ALJ WOLFE: Any objection?

18 MR. SABO: No objection.

19 ALJ WOLFE: Thank you. Mr. Patten, is the
20 exhibit marked as A-2 the one that was docketed on
21 July 26?

22 MR. PATTEN: I believe that's the date, Your
23 Honor. I don't have it right in front of me.

24 ALJ WOLFE: But there was only one?

25 MR. PATTEN: Only one, yes.

1 ALJ WOLFE: A-1 and A-2 are admitted.

2 Q. (BY MR. PATTEN) Mr. Broz, I have just a few
3 more questions related to MC Services' proposed
4 operations.

5 First off, is there any legal relationship
6 between MC Services and Mohave Electric Cooperative?

7 A. No. There is not.

8 Q. Obviously, you both operate in the same area
9 though?

10 A. Correct.

11 Q. And you personally have some activities with
12 Mohave Electric Cooperative Services?

13 A. Yes, I do.

14 Q. But the two entities are completely distinct
15 legal entities?

16 A. That's correct.

17 Q. And sort of elaborating on my brief opening
18 statement, what will be your initial service area for
19 MC Services?

20 A. We are proposing to go -- what is considered
21 the Laughlin Ranch area. This is a development of
22 approximately 16 sections. It will be a development
23 that will probably last over the next 15, 20 years
24 based on what the developer has proposed. And our
25 concept is that this is where we will start off

1 initially.

2 Q. Who is the ILEC for that area?

3 A. Frontier.

4 Q. And do you know if Frontier is going to serve
5 the Laughlin Ranch as well?

6 A. Excuse me. My understanding is that they have
7 already started putting cable in the ground and have it
8 available right now.

9 Q. And will be providing telephone services as
10 well?

11 A. Correct. Yes.

12 Q. Will MC Services install a fiber network in
13 that area?

14 A. Well, we have currently the fiber -- the
15 backbone system already in. As the project grows over
16 the next two years, we'll keep expanding that system.
17 But we have the head-end equipment there, we have all
18 of the associated equipment already installed, and we
19 have the fiber out to some of the houses that are under
20 construction.

21 Q. There's no one living in Laughlin Ranch at this
22 time?

23 A. No. There is not.

24 Q. And you're not providing any service at this
25 point, are you?

1 A. No. We are not.

2 Q. Okay. Will that network also be used to
3 provide high-speed Internet and video services?

4 A. Yes, it will.

5 Q. And that's a concept similar to what cable
6 companies are doing today in terms of providing phone,
7 video, and Internet over the same network?

8 A. That's correct.

9 Q. Have you reviewed the Staff Report in this
10 docket?

11 A. Yes, I have.

12 Q. And in particular, have you reviewed the
13 recommendations in Section 6 of the Staff Report?

14 A. Yes.

15 Q. You also understand in discussions with Staff
16 that there will be an additional recommendation
17 regarding 911 service?

18 A. Yes.

19 Q. And you have reviewed the proposed language for
20 that additional condition?

21 A. Yes, I have.

22 Q. And is MC Services willing to abide by those
23 conditions, including the 911 condition?

24 A. Yes, they are.

25 Q. All right. Mr. Broz, what is the status of

1 your interconnection arrangements?

2 A. Currently, right now we're in discussions with
3 Frontier and another supplier on the resale. Is that
4 what you're referring to, or did I miss the question?

5 Q. It would be resale and/or --

6 A. Yes. Yes. We currently are in discussions, as
7 I mentioned, with Frontier and others. We anticipate
8 that we would have those finalized within the next 30
9 days. And if things move the way we anticipate, that
10 it would be able to offer, within 60 to 90 days,
11 service, subject to the construction that goes on
12 within the area. Because if they don't finalize any
13 houses, then we really can't connect to anybody.

14 Q. Mr. Broz, MC Services has contracted with an
15 entity called Greenfield Communications; is that
16 correct?

17 A. That's correct.

18 Q. And they're assisting in the development of the
19 network and some of the telecommunications-related
20 issues; is that correct?

21 A. That is correct.

22 Q. And has Greenfield Communications provided
23 similar types of networks and services in other
24 communities?

25 A. My understanding is they have in California at

1 least in two locations.

2 Q. And those communities are -- the services are
3 operating successfully in those communities?

4 A. My understanding is they are.

5 Q. I think you have answered the last question I
6 was going to ask, which is when did MC Services
7 anticipate commencing service in Arizona?

8 A. Like I said, assuming that we finalize on the
9 contracts, we're looking at 60 to 90 days. But, again,
10 it's subject to the homes.

11 One of the advantages that I see that we have
12 is that we will build out as the homes build out, and
13 so we'll start off small is what we'll do, and no doubt
14 understand the business a lot better and a lot easier.

15 Q. And certainly you wouldn't start until a
16 certificate is issued and the conditions set forth in
17 there are met?

18 A. That's absolutely correct.

19 MR. PATTEN: I have no further questions for
20 Mr. Broz at this time.

21 ALJ WOLFE: Thank you.

22 Mr. Sabo?

23 MR. SABO: Yes. Thank you, Your Honor.

24 Permission to approach the witness.

25 ALJ WOLFE: Yes.

1 CROSS-EXAMINATION

2

3 Q. (BY MR. SABO) Good afternoon, Mr. Broz. How
4 are you?

5 A. Fine. Thank you.

6 Q. You have got the application up there that's
7 been marked as Exhibit A-1; is that correct?

8 A. That's correct.

9 Q. And on that application, there was a question
10 A-8 that asks about the ownership of the company?

11 A. Yes.

12 Q. And then you prepared, I think, an attachment
13 to your application that sets forth the ownership
14 structure of the corporation; is that correct?

15 A. Yes.

16 Q. And that ownership is 50 percent by yourself
17 and 50 percent by another person named Borah; is that
18 correct?

19 A. Borah Opalka. Yes.

20 Q. And the name of this corporation is Mohave
21 Cooperative Services; is that correct?

22 A. That is correct.

23 Q. And this is a profit corporation?

24 A. Yes, it is.

25 Q. Can you explain why the corporation has the

1 word "cooperative" in its name seeing that it's a
2 for-profit corporation?

3 A. I believe that originally this was part of
4 Mohave Electric early on. And the decision was made by
5 Mohave Electric to break the two apart, and I think
6 that is just a carryover is what it is. Probably if we
7 did it today, we would not have that in there.

8 Q. And you have provided an excellent segue to my
9 next line of questioning, which is the relationship
10 between Mohave Cooperative Services and Mohave Electric
11 Cooperative.

12 Does your corporation, Mohave Cooperative
13 Services, share any officers, directors, or employees
14 with Mohave Electric Cooperative?

15 A. We share some employees: Myself and an
16 administrative assistant, Sharon Sutton. What we do is
17 any time that we do any work for them, we, in essence,
18 bill them. Mohave Electric bills MC Services on a
19 monthly basis. It's virtually basically just the two,
20 and I think there's also maybe a runner. I'll use the
21 term runner, but it's an employee that just takes mail,
22 a mail run.

23 Q. Are there any facilities that are shared
24 between Mohave Cooperative Services and Mohave Electric
25 Cooperative?

1 A. No. There are not.

2 Q. So you have separate offices and so forth; is
3 that correct?

4 A. That's correct.

5 Q. Is there some sort of contractual relationship
6 between MEC and Mohave Cooperative Services?

7 A. For the use of any Mohave Electric, yeah,
8 employees.

9 Q. Do you know if that agreement has ever been
10 approved by the Commission?

11 A. I do not know.

12 Q. And would you be willing to submit a copy of
13 that agreement as a late-filed exhibit in this docket?

14 A. If we can find it. I use the term because it
15 goes back so long. But if we can find it, yes, I would
16 be willing to submit it.

17 Q. And you mentioned that MEC and MCS used to be
18 jointly owned or operated, and then Mohave Cooperative
19 Services was spun off or something?

20 A. That's correct.

21 Q. Could you kind of go through that history?

22 A. We just felt -- this was in a time, as you
23 would imagine, with all utilities that felt that they
24 should expend to other bright things, as they viewed
25 them anyway.

1 As we progressed in it, we felt that it really
2 -- that wasn't our core business. And so we felt that
3 we were better off to break the two apart and so that
4 was the decision made by the board of directors.

5 Q. And by "we" you're referring to Mohave Electric
6 Cooperative?

7 A. That's correct.

8 Q. And what position, if any, do you hold with
9 Mohave Electric Cooperative?

10 A. I'm the CEO there.

11 Q. And how did it come to pass that you're a 50
12 percent owner of the Mohave Cooperative Services?

13 A. We had to, in essence, break it into somebody
14 having ownership of it. And so at that point in time,
15 there was no real ability to sell it on the open market
16 because it was pretty new, a very new company involved
17 in the satellite business. And so the reason was to
18 allow us to do it.

19 Q. What sort of consideration did you pay to
20 Mohave Electric Cooperative for your equity in Mohave
21 Cooperative Services?

22 A. I would have to look back and see, but I think
23 it was -- we paid an equity position of about 36,000 at
24 that time.

25 Q. And was that transaction -- did you recuse

1 yourself from your role as chief executive officer for
2 MEC as part of that transaction?

3 A. Yes.

4 Q. In other words, you weren't negotiating both
5 sides of the --

6 A. No. No.

7 Q. How was that handled?

8 A. Through the attorney anyway, the Mohave
9 Electric attorney.

10 Q. Was there some sort of independent audit or
11 independent appraisal of the value of the company at
12 the time when it was sold?

13 A. What was sold was the assets of the company.
14 Mohave Electric at that time retained the franchise.
15 Okay. So the franchise did not go with the sale. So
16 basically all that was really sold were the assets of
17 what the company had and not the franchise.

18 Q. And does Mohave Electric Cooperative still own
19 the franchise then?

20 A. Excuse me. No. They sold the franchise is
21 what they did, too.

22 Q. Why don't you walk us through how that
23 happened.

24 A. Sure. The franchise was appraised based on the
25 current market conditions at that time. I can't tell

1 you exactly what it was, but probably close to
2 something like \$4 million, and then a note was
3 consummated to pay Mohave Electric on an annual basis
4 over a period of years. And I would have to get the
5 document to really look and see but --

6 Q. So the sale was for approximately \$4 million,
7 and that was done through a note from Mohave
8 Cooperative Services to MEC?

9 A. That's correct.

10 Q. And was this a secured note or --

11 A. It's secured on the franchise itself is what it
12 was secured to, with the ability that if the debt was
13 not paid, then, in essence, they had the right to take
14 the franchise back.

15 Q. And is the interest on that note set at some
16 sort of commercially set rate?

17 A. Yes, it is.

18 Q. You mentioned MEC bills Mohave Cooperative
19 Services for the use of the shared employees. Could
20 you run us through how that works, and are there like
21 time sheets or --

22 A. Sure. You're absolutely correct. It comes off
23 of -- each employee that does it, which is virtually
24 only the three of us, submit a monthly statement
25 anyway. And that statement is done by our accounting

1 people, and they bill just like it was a contractor.
2 And they send out a bill, is what they do, to MC
3 Services.

4 Q. And is there -- besides the matters we've
5 already discussed, is there some sort of financial
6 relationship between MEC and Mohave Cooperative
7 Services?

8 A. Only what I have mentioned.

9 Q. And does Mohave Cooperative Services, other
10 than through the use of these joint employees, have any
11 other benefit from its association with MEC?

12 A. Not that I'm aware of.

13 Q. And other than the employees that are shared or
14 billed through MEC, does Mohave Cooperative Services
15 have other employees?

16 A. Yes, they do.

17 Q. And you mentioned Mohave Cooperative Services
18 has its own office; is that correct?

19 A. That's correct.

20 Q. So despite the name "cooperative" in its name,
21 in your view, does Mohave Cooperative Services have an
22 independent identity in the minds of the public from
23 MEC?

24 A. I think they do.

25 Q. And are you careful to maintain that

1 distinction?

2 A. Yes. As we have progressed, because of the
3 time differential, we become more accustomed to that
4 identity.

5 Q. And I see from reviewing your 2003 finances
6 that were -- financial statements that were attached to
7 the application, that Mohave Cooperative Services has
8 current business operations; is that correct?

9 A. Yes.

10 Q. Why don't you describe the current types of
11 business that you're engaged in.

12 A. Our current business is the satellite business.
13 We do billing and collections on that. We have our
14 own -- I'll use the term backroom staff, which takes
15 telephone calls. We have customer relation people, is
16 what they are, working with the customers. That's part
17 of it. The other part of it that we have is we have an
18 Internet, dial-up Internet, that we offer.

19 Q. Now, I take it you don't have your own
20 satellite floating out there in space?

21 A. No. We do not.

22 Q. Is this some sort of resale from like a
23 DirectTV or something like that?

24 A. Yes. Correct.

25 Q. And the dial-up Internet, do you have your own

1 equipment for that or is that also a resold-type
2 operation?

3 A. That's a resale.

4 Q. Is there any kind of joint marketing with
5 Mohave Elective Cooperative or access to its customer
6 lists or something of at that nature?

7 A. No. There is not.

8 Q. Speaking of the 2003 financials, I saw that
9 those were stamped unaudited, the ones that were
10 attached to the application; is that correct?

11 A. I believe that's correct.

12 Q. Are there now audited 2003 financials
13 available?

14 A. I believe there are, and I think they would be
15 available.

16 Q. Is there any material change from the unaudited
17 to the audited financials?

18 A. Nothing of any significance.

19 Q. And, likewise, I know that we're past the end
20 of 2004. I recognize you don't have your 2004
21 statements prepared yet, but would you anticipate any
22 material change in the company's profitability from
23 2003 to 2004?

24 A. No. I do not.

25 Q. And is there any increased financial risk or

1 operational risk that changed from 2003 to 2004?

2 A. No.

3 Q. And before we began, I passed out two
4 documents. One was the Staff Report that's marked S-2,
5 or S-1, rather, and then a second document that's
6 marked S-2 and labeled proposed 911 language.

7 Do you have those two documents?

8 A. Yes, I do.

9 Q. And in the Staff Report, Exhibit S-1, could you
10 turn to the recommendations in there.

11 A. Okay.

12 Q. I believe those begin on page 10 through
13 page 12.

14 A. Okay. I'm at 10 right now. Okay.

15 Q. And you mentioned previously you did not object
16 to any of these recommendations; is that correct?

17 A. No. I do not.

18 Q. And just to get to some more interesting ones,
19 do you see on page 11 before a list of some
20 recommendations it says: If the Applicant fails to
21 comply with those, then the CC&N shall be null and void
22 without further order of the Commission and no time
23 extensions will be granted.

24 Do you see that language?

25 A. Yes, I do.

1 Q. And you were aware of that language?

2 A. Yes.

3 Q. And you don't have any objection to that
4 language?

5 A. No. I do not.

6 Q. And in light of that language, you understand
7 the importance of complying with those particular
8 requirements?

9 A. Yes, I do.

10 Q. And one of those requirements is the agreement
11 to obtain a performance bond in the amount of \$135,000;
12 is that correct?

13 A. That's correct.

14 Q. And you're going to have the ability to do
15 that?

16 A. Yes.

17 Q. And then there's the second document that's
18 marked S-2 and labeled proposed 911 language. If you
19 could take a minute to review that language. And just
20 let me know when you're ready.

21 A. I'm ready.

22 Q. Do you any objection to that language being
23 included as a Staff recommendation?

24 A. No. I do not.

25 Q. Turning back to the application, Exhibit A-1.

1 There's a question on there on number E-3. Could you
2 turn to that question.

3 A. What was that number again?

4 Q. E, as in echo, 3.

5 A. I found it now. Okay. Yes.

6 Q. And that question asks about the ownership of a
7 switch, and the answer there is that you do not or will
8 not own a switch; is that correct?

9 A. We do not anticipate to at this time.

10 Q. Will this Greenfield entity own a switch?

11 A. No. They will not.

12 Q. So how will the service be provided without a
13 switch? Sort of can you explain how that would work
14 technically, keeping in mind that --

15 A. Keeping in mind I'm not the technical person
16 either here. My understanding is the reseller will
17 provide that. That's my understanding on it right
18 now, or they will provide the necessary equipment.

19 Q. Okay. And that would be like Frontier or
20 whoever you're interconnected with?

21 A. That's correct.

22 Q. So even though you're going to have these fiber
23 facilities, then those fiber facilities will be
24 interconnected into like the central office of Frontier
25 or whatever?

1 A. Actually, they will be connected into what
2 would be considered a head-end building, anyway, and
3 the whole project will come into that. At that point,
4 then, the reseller will come into that area and
5 interconnect into our head-end building.

6 Q. So there's some sort of transport, then,
7 between what you call the head-end facility and the
8 central office of Frontier?

9 A. That's right. And that would be the reseller.

10 Q. And the question E-3 asks about -- kind of the
11 point of that question is equal access.

12 Will customers who sign up for your service
13 over the use of this facilities-based fiber, will they
14 have the ability to have equal access, that is, to
15 choose a different long distance provider if they
16 should so choose?

17 A. Yes.

18 Q. And as long as we're at the application, could
19 you turn to questions A-18 and A-19. And those
20 questions indicate -- your answers to those questions
21 indicate that you currently have a CC&N or its
22 equivalent in Nevada and California; is that correct?

23 A. That is correct.

24 Q. But your answers also indicate you're not
25 currently providing service in those states; is that

1 correct?

2 A. That is correct.

3 Q. Can you describe your plans, if any, for
4 rolling out service in those states?

5 A. Currently, we do not have any short-range plans
6 to roll out any service in there. We acquired the
7 ability, I'm guessing, five years ago or longer anyway.

8 And that was in a different time, and I guess
9 we just felt that -- we have kept up our certification
10 with those states, but we just felt that we're just not
11 prepared to roll into them, and we have no anticipation
12 in the near future to do anything.

13 Q. And in terms of your current customer base, how
14 much is in Arizona as opposed to those other two
15 states?

16 A. What customer base are you talking about?

17 Q. For the satellite business and dial-up Internet
18 business.

19 A. For the satellite business, approximately
20 15,000.

21 Q. And how much of that is in Arizona as opposed
22 to the other states?

23 A. 80/20.

24 Q. With 80 being in Arizona?

25 A. Yes. Correct.

1 Q. And is that roughly the same for the dial-up
2 Internet?

3 A. Actually, it's all in Arizona.

4 Q. And going, then, to the use of this fiber optic
5 system that you're putting in, my impression -- and
6 tell me if this is correct -- is that such a system
7 would be able to provide, you know, television service,
8 broadband, Internet service, as well as phone service,
9 all through the same facility or pipe?

10 A. That is correct.

11 Q. And is it your intention, then, to offer all of
12 these services?

13 A. We will offer the other services which you
14 mentioned, which is the high-speed data and the TV
15 through another company, which would be called Laughlin
16 Ranch Services, which would be right there on the
17 property.

18 And the telephone side of it would be offered
19 by MC Services because of our requirement under the
20 Commission and certification by the Commission.

21 We didn't -- I'm sorry.

22 Q. And what is the -- please finish your answer.

23 A. We just didn't want to tie the two together.
24 That was our belief on it.

25 Q. And can you describe who owns Laughlin Ranch

1 Services?

2 A. Well, it's not been completely incorporated
3 yet, but Dave Lords.

4 Q. And what is the relationship between Laughlin
5 Ranch Services and MEC?

6 A. It would be contractual.

7 Q. Contractual. So there's not any --

8 MR. PATTEN: Excuse me. Just a clarification.
9 MEC or MC Services?

10 MR. SABO: I'm sorry. MC Services.

11 THE WITNESS: Okay. I assumed that's what he
12 said. I'm sorry.

13 Q. (BY MR. SABO) What is the relationship between
14 MC Services and Laughlin Ranch Services?

15 A. Contractual.

16 Q. And so there's no equity interrelationship or
17 financial interrelationship other than that contract?

18 A. That's correct.

19 Q. And, likewise, could you submit that contract
20 as a late-filed exhibit?

21 A. I don't think we have it finalized yet, but I
22 would be willing to submit it though.

23 Q. So this entity that you're going -- or you have
24 a contractual relationship with to provide broadband
25 and TV, it's your testimony that it's not yet been

1 incorporated and the contract has not yet been
2 finalized?

3 A. That's correct.

4 Q. And can you explain, given that there's this
5 other entity who is going to own the facilities out
6 there?

7 A. The facilities will be owned by MC Services.

8 Q. And can you explain, then, will Laughlin Ranch
9 be paying some kind of fee to use those facilities, or
10 how will that work?

11 A. Yes. That has been part of the agreement,
12 anyway, that we're working on right now. As I
13 mentioned, we do not have that finalized yet.

14 Q. And will customers get or have the ability to
15 purchase some sort of bundle of services provided
16 jointly by Laughlin Ranch and Mohave Cooperative
17 Services, or will they have to have separate accounts
18 and separate bills?

19 A. We're proposing right now that there would be
20 separate. We do not anticipate that they would be put
21 together.

22 Q. Can you explain how the costs of the facilities
23 network that you're going to be putting in place will
24 be allocated between the telephone service and the
25 other services that are being implemented over the same

1 facilities?

2 A. I think that would have to be a visit with our
3 accountant on that. But there would have to be an
4 allocation of it based on probably -- I'm just
5 anticipating that it would have to do with the volume
6 of traffic that would go over it and what portion of it
7 would be used of the total facilities as a percentage.

8 Q. Do you know if that cost allocation has been
9 finalized yet, the mechanism for it, or is that still
10 under development?

11 A. I think it's under development only to the
12 extent that we just don't know how much that is going
13 to be utilized by the customers out there, whether they
14 take service from us or not, and that's really going to
15 be the determining factor. It's not going to be an
16 arbitrary 80/20. It's going to be based on what the
17 customer -- if we have one customer out of 100, then
18 it's one percent then.

19 Q. And this fiber optic network, will competitors
20 have the ability to access that network to provide
21 service, or is that going to be strictly a proprietary
22 network?

23 A. Currently, it's going to be proprietary.

24 Q. And you mentioned that Frontier is the ILEC for
25 the Laughlin Ranch area; is that correct?

1 A. That's correct.

2 Q. And you mentioned, I believe, that Frontier was
3 already installing its lines in the area; is that
4 correct?

5 A. That's correct. It's my understanding that
6 they have.

7 Q. So they will continue to be available as the
8 incumbent provider for this area?

9 A. That's my understanding.

10 Q. So you're not assuming any obligations as the
11 incumbent or trying to act as the incumbent to your --

12 A. No.

13 Q. And you mentioned in your direct testimony that
14 you are in negotiations with Frontier for an
15 interconnection agreement; is that correct?

16 A. That's correct.

17 Q. And what is status of those negotiations?

18 A. The community -- the negotiation with
19 Greenfield Communications, anyway, and Frontier, and my
20 understanding is that they're still in the discussion
21 stages. They've met already is what they have done,
22 and from that point I can't respond because I just --
23 I'm not 100 percent sure that's the only reason.

24 Q. And you also mentioned that Mohave Cooperative
25 Services was in negotiation with Frontier and others.

1 Who would be the others be?

2 A. I cannot respond, only because I just don't
3 know. Greenfield Communication has been the
4 organization that has done that. And my understanding
5 based on what they've indicated is that there were two
6 other ones anyway. And the only reason that Frontier
7 came up is because it's a local one.

8 Q. And can you describe the relationship between
9 Mohave Cooperative Services and Greenfield
10 Communications?

11 A. It's contractual.

12 Q. And so there's no equity, common employees --

13 A. No.

14 Q. -- common ownership, anything like that?

15 A. No.

16 Q. Completely separate entities?

17 A. Yes.

18 MR. SABO: Could I have a moment, Your Honor?

19 ALJ WOLFE: Yes.

20 MR. SABO: Thank you.

21 No further questions, Your Honor.

22

23 EXAMINATION

24

25 Q. (BY ALJ WOLFE) Okay. Good afternoon,

1 Mr. Broz.

2 A. Good afternoon.

3 Q. I was looking at the annual report for Mohave
4 Cooperative Services, Inc. And under the section where
5 the shareholders holding more than 20 percent of any
6 class of shares, there's a corporation listed called
7 Western Competitive Solutions.

8 A. Yes.

9 Q. Are you a member of that?

10 A. Yes.

11 Q. What is their relationship?

12 A. It's basically the same relationship as Mohave.
13 Western Competitive Solutions owns Mohave Cooperative
14 Services with the same relationship.

15 Q. The same relationship as?

16 A. As MC Services.

17 Q. Okay.

18 A. Did I answer it for you?

19 Q. I'm not quite clear yet. I'll keep trying to
20 find out exactly what it is that I'm looking for.

21 I thought I heard earlier that you own half of
22 Mohave Cooperative Services?

23 A. That's -- yes. Yes.

24 Q. Can you explain how that --

25 A. That half, and then the other half would be

1 Western Competitive Solutions. So it's the same
2 relationship.

3 Q. Okay. Western Competitive Solutions owns
4 50 percent?

5 A. That's correct. Right.

6 Q. And you personally own 50 percent?

7 A. No. No. Western Competitive Solutions is
8 owned by the same people that own Mohave Cooperative
9 Services.

10 Q. So Western Competitive Solutions owns 100
11 percent?

12 A. That's correct. Right.

13 Q. Okay. So then what is the relationship between
14 Western Competitive Solutions and Mohave Electric
15 Cooperative?

16 A. There is none.

17 Q. And in a series of questions that Mr. Sabo was
18 asking you, you described a relationship, however,
19 between Mohave Cooperative Services and Mohave Electric
20 Cooperative?

21 A. Originally, it was Mohave Electric, as I
22 mentioned earlier, originally created Mohave
23 Cooperative Services, and it was a subsidiary. When it
24 was spun off, that's when Western Competitive Solutions
25 was created as a holding company for Mohave Cooperative

1 Services.

2 Q. And when was that? I heard you say "at that
3 time" several times.

4 A. Without looking back, I'm just going to say six
5 years ago, five to six years ago. Time flies when
6 you're --

7 Q. It would probably be -- was that at the same
8 time exactly that Western Competitive Solutions was
9 formed?

10 A. Probably.

11 Q. Okay. All right. And the franchise that
12 Mr. Sabo was asking you about, what is the status of
13 the debt to Mohave Electric Cooperative on that
14 franchise?

15 A. There's an annual payment is what it is.

16 Q. And what's the term?

17 A. The term is a 20-year, and it's \$200,000 a
18 year.

19 Q. And Mohave Cooperative Services, Inc. has been
20 making those payments from the profits from its
21 satellite TV?

22 A. That's correct.

23 Q. Okay. And you said that you have about 15,000
24 customers for your satellite TV business?

25 A. Yes.

1 Q. How many for your dial-up Internet business?

2 A. Around 1,400, 1,500, right in that area.

3 Q. Okay. When you said that currently this is
4 planned to be a proprietary network to Laughlin
5 Ranch --

6 A. Uh-huh.

7 Q. -- you understand that in the Staff Report
8 there's a recommendation that in the event that Mohave
9 Cooperative Services is the only service provider --

10 A. Yes. Right. If we're the --

11 Q. -- you would be willing to allow access?

12 A. Yes. if Frontier does not extend, then I think
13 that kicks into play, yeah.

14 Q. Just hypothetically speaking.

15 A. Sure.

16 Q. You said this project is planned to develop
17 over 15 or 20 years?

18 A. That's what the developer says anyway.

19 Q. I don't know what Frontier is planning to do.
20 But just hypothetically, what if Frontier only decides
21 to extend service to half of the development? What
22 would your plans be?

23 A. Our plans do not change. We're still going
24 forward with ours. It has no relationship with
25 Frontier.

1 Q. Okay. So then you would be willing to be the
2 main provider in those areas?

3 A. Yes.

4 Q. Okay. I'm curious. Mohave Cooperative
5 Services, Inc. currently provides the satellite TV and
6 dial-up Internet services in Bullhead City, but just
7 for this development you have decided not to provide
8 those services?

9 A. Well, one of the things we have made a
10 determination on the satellite side of it as we have
11 looked forward, we have decided that the satellite side
12 of it is fine and good and everything works out good,
13 but it seems to us that fiber optic is probably going
14 to bring more things to the customers and be able to do
15 more with the customers within a given area.

16 And so we have opted to actually get out of the
17 satellite side of it and stick -- and actually go into
18 the fiber optic side of it in the development. We feel
19 that in the long range there's more opportunities there
20 for the organization, and, I think, for the customer,
21 to give customer satisfaction.

22 Q. I was also looking at some other companies that
23 have similar names, and you're listed as a member or as
24 some sort of -- do you have a relationship with Mohave
25 Telephone Cooperative?

1 A. No, we don't. Mohave Electric does.

2 Q. Okay.

3 A. I think if you look it up, you will see that
4 Mohave Electric has its own telephone company that's
5 probably been on the books prior to me being there, and
6 we've just paid the annual fees.

7 Q. Do you know if they're conducting any business?

8 A. No. No. They are not.

9 Q. And what about National Cooperative Utilities
10 Services?

11 A. NCUS. That's a financial.

12 Q. I don't know. It was just --

13 A. NCUS is a financial company, is what it is.

14 Q. Does it have any affiliation with Mohave
15 Cooperative Services Inc.?

16 A. No. No. Let me back up. We're a member of
17 it, but that's the extent of it.

18 Q. Do you have --

19 A. Nothing more than that.

20 Q. Do you have any contractual relationship with
21 them?

22 A. No. No.

23 Q. And just to make it clear, does Mohave Electric
24 Cooperative have any ownership interest in Western
25 Competitive Solutions?

1 A. No.

2 Q. Okay. How does Mohave Cooperative Services
3 Inc. market its services? Does it use the name Mohave
4 Cooperative Services, Inc.?

5 A. Yes.

6 Q. Okay. Because I have heard several times
7 people shorten it.

8 A. That's part of the confusion, and that's why we
9 have made the decision -- I think if you look in some
10 of this, you'll see MC Services. We've tried to clear
11 that up more as we move forward so there isn't that
12 misunderstanding.

13 Q. So do you plan to market under the name MC
14 Services?

15 A. Yes. If we go outside of the Laughlin Ranch
16 area -- let me back up. The data service and the TV
17 service will be marketed under Laughlin Ranch Services.
18 The CLEC side of it will be marketed under MC Services.

19 Q. So do you feel that would send a clearer
20 message to customers that you're not part of Mohave
21 Electric Cooperative?

22 A. There's been discussion that maybe we even need
23 to change the name completely, but our concern is that
24 once you all of a sudden become a brand new company,
25 name-wise anyway, that that really confuses the

1 customer. So that's why -- the reason is, like I said,
2 that you saw MC Services, we're trying to take that out
3 of it currently and trying to break that relationship,
4 in the minds of the customers anyway.

5 Q. You said -- I want to be clear. You said that
6 you're trying to take MC Services out of it?

7 A. We're trying to take Mohave Cooperative
8 Services and use MC Services so we can break that
9 relationship -- at least that relationship in the minds
10 of the customer. That's all.

11 Q. I see.

12 A. Did I clarify that or are we still --

13 Q. No. You clarified that.

14 A. Okay. Thank you.

15 Q. And your audited 2003 financial statements have
16 notes attached; is that correct?

17 A. What do we have, Mike? Is there --

18 MR. PATTEN: I think what was attached to the
19 application were the unaudited version. And Mr. Broz
20 indicated that the audited version is now available,
21 and we would be willing to file that as a late-filed
22 exhibit.

23 ALJ WOLFE: Okay. Great.

24 Q. (BY ALJ WOLFE) I have a question in your
25 rules and regulations section of your tariff, Mr. Broz.

1 In Section 2.1 under terms and conditions --

2 A. Yes.

3 Q. -- Section 2.1.3(a) says services provided on
4 the basis of a minimum period of at least a month, at
5 least one month, unless otherwise specified.

6 Can you explain how that would operate? It's
7 on page 12 of your tariff, if that will help you find
8 it.

9 A. Well, I -- okay. Now, what section was that?
10 Page 12?

11 Q. Yes.

12 A. Which number?

13 Q. 2.1.3(a).

14 A. Well, I think our feeling is that there has to
15 be at least a minimum of one-month service provided
16 there to the customers. Again, the customers have the
17 opportunity, they will, to pick other suppliers.

18 That's a minimum. That doesn't mean that
19 that's what will happen though, but you have to put
20 something in there, I think. Chances are that -- we do
21 not -- the service that we would provide is going to be
22 our service anyway, and that would be longer than a
23 month, that's for sure.

24 I think part of that the discussion here,
25 anyway, and based on what I see, would be that if there

1 was a problem with the customer, that that may be the
2 one month. But, again, that falls under the
3 Corporation Commission rules and regs, and so that has
4 to do with connections and disconnections, et cetera.
5 So we would have to comply by those rules.

6 MR. PATTEN: Your Honor, typically for local
7 exchange service, service for the upcoming month
8 appears on your bill, but you typically have about 30
9 days to pay it. And I think the period is -- they're
10 not going to bill you every two weeks for the next
11 two-week period, but the monthly bill you get will be
12 for the upcoming local exchange service month and due
13 in 30 days.

14 So basically you get all of the service by the
15 time you have paid for it, but the bill is for the
16 upcoming month, and I think that's what the monthly
17 period is, as opposed to two months or two weeks or
18 something like that.

19 ALJ WOLFE: Thank you.

20 THE WITNESS: That was better than my answer,
21 wasn't it?

22 Q. (BY ALJ WOLFE) No. I like your answer that
23 you're willing to abide by the Commission's billing and
24 connection rules. I was worried that maybe this meant
25 that you would have to pay for an entire month of

1 service after the first month even if you didn't take
2 service for the entire month.

3 A. Oh, no, no, no.

4 Q. Thank you.

5 A. We're more customer-oriented than that.

6 ALJ WOLFE: Okay. That's good to hear.

7 Those are all the questions that I have.

8 Do you have redirect, Mr. Patten?

9 MR. PATTEN: I don't, Your Honor. I think
10 Mr. Sabo's thoroughness in his questioning actually
11 closed up some of the loose ends, so nothing further.

12 MR. SABO: Your Honor, could I have a couple of
13 brief follow-ups on some items that you mentioned?

14 ALJ WOLFE: It depends on whether Mr. Patten is
15 willing to indulge you.

16 MR. PATTEN: I will, although I may have some
17 redirect after that.

18 ALJ WOLFE: That would be fine.

19 MR. SABO: Thank you for your indulgence, Your
20 Honor.

21

22 FURTHER CROSS-EXAMINATION

23

24 Q. (BY MR. SABO) Let's see if we can nail down
25 this ownership issue. On your Exhibit A-1, the

1 application, your attachment to that in answer to
2 question A-8, you indicated that the ownership of
3 Mohave Cooperative Services was 50 percent yourself and
4 50 percent Ms. Borah.

5 If I understand your answers to the
6 Administrative Law Judge, that is not correct; and, in
7 fact, 100 percent of the ownership of Mohave
8 Cooperative Services is owned by Western Competitive
9 Services, which in turn is owned 50 percent by yourself
10 and 50 percent by Ms. Borah; is that correct?

11 A. That is correct.

12 Q. And do you understand the importance of
13 recognizing and keeping separate the different legal
14 entities that are involved in providing
15 telecommunications service?

16 A. Absolutely.

17 Q. You mentioned in response to the Judge's
18 questions about marketing the relationship in the minds
19 of the customers.

20 Were you referring there to some relationship
21 in the minds of the customers between Mohave Electric
22 Cooperative and Mohave Cooperative Services?

23 A. Yes.

24 Q. So you do think that some customers may
25 perceive there to be a relationship given the history

1 and your involvement in both companies and so forth?

2 A. I think since MC Services was originally owned
3 by Mohave Electric, I think that is the reason.

4 Q. And can you describe the steps that you're
5 taking to clear up any such impression in the minds of
6 customers?

7 A. A bunch of the things we have done is we have
8 even embarked upon a new logo, which probably doesn't
9 mean too much to most people, but to get that logo so
10 it's completely different than what the other
11 cooperative has anyway. We thought that was the first
12 step.

13 The second step is just to change the name.
14 Instead of using, like I mentioned earlier, Mohave
15 Cooperative Services, MC Services.

16 As we move forward, we may even change the
17 name, but I'm just -- I'm currently, right now,
18 concerned that if you all of a sudden just come up with
19 a new name, people just don't have an understanding.
20 Because we still have a history there in Bullhead City
21 of giving good service, the Cooperative Services does.
22 And I don't want to lose that because I think that's
23 our key here is the customer relation side that we
24 have.

25 Q. And you mentioned that you're not using the

1 trade name MC Services; is that correct?

2 A. We have started using that terminology in our
3 communications.

4 Q. Does that appear on your bills for your
5 existing customers for the two businesses that you
6 currently run, the satellite business and the dial-up
7 Internet business?

8 A. In reference to the satellite business, I
9 mentioned earlier that we were in the process of
10 getting out of that side. So I don't think we have had
11 any billings now since then.

12 On the other side of it, what we do is we bill
13 based on the Internet, so I can't really answer that
14 question. It's an Internet billing is what it is.
15 It's not a hard billing.

16 Q. You mentioned that you're getting out of the
17 satellite business?

18 A. That's correct.

19 Q. So I understood your answer to be that you just
20 weren't going to offer the satellite service in
21 Laughlin Ranch, but are you also discontinuing that
22 business?

23 A. Yes. Yes. That was -- I think I did respond
24 to that that we were getting out of that business, so
25 we weren't going to offer it. That was, I think, what

1 the question originally was: Are you going to offer
2 it, and why aren't you offering it there?

3 And I think my response because we're getting
4 out of that business is what we're doing.

5 Q. So since you have got 15,000 customers there,
6 can you describe how that process is going to work?

7 A. What we will do is we will turn those customers
8 over, and probably most of them have been done already,
9 to our supplier. In essence, DirectTV. And we get
10 reimbursed for that. So we have a financial -- through
11 the sale, through the transfer, there's a financial
12 long-term financial impact that will help MC Services.

13 Q. Currently, is that service being provided at a
14 loss or why are you getting out of that?

15 A. Well, we just see the business changing. We
16 just -- this was an opportunity we saw to virtually
17 move that business and get into local business more.
18 We see the satellite business -- it's basically too big
19 players that are out there bucking together anyway, and
20 we just kind of keep falling down and down the ladder
21 is what I see.

22 And so we just made the decision, you know,
23 this was an opportunity for us to develop into
24 something we had been looking at for probably three
25 years anyway. And so we just made the decision, hey,

1 let's see what we can do in the Laughlin Ranch area and
2 start off small and move forward.

3 Q. And so when I had asked you earlier whether
4 there was any material change in the operations from
5 2003 to 2004, was that how come you didn't mention
6 that?

7 A. I guess I was anticipating financial, because
8 we don't see any real financial change in it.

9 Q. So you're discontinuing this business, but you
10 don't see any financial change?

11 A. No. We do not.

12 Q. Why would that be?

13 A. That has to do with the transfer of these
14 customers over and the agreement we have and payments.
15 So financially we're not going to see any change.

16 Q. Could you explain that a little bit further,
17 what you mean by payments and transfers?

18 A. Well, we will receive monthly payments with the
19 transfer of these customers to DirectTV.

20 Q. So that's part of some contract that you have?

21 A. That's correct. That's right.

22 Q. And going back, you mentioned that you have a
23 new logo.

24 A. No.

25 Q. Or relatively new logo?

1 A. We're working on one is what we're doing. We
2 see the need for it is what we see.

3 Q. So what is the logo that you currently use?

4 A. It's similar, again, to the Mohave Electric
5 logo with the mountains. And we just made the decision
6 that because of that closeness that we just needed to
7 start pulling apart, and that's just part of the
8 pulling apart.

9 Q. So current --

10 A. In the minds of the customers.

11 Q. Right. So currently you have a similar logo to
12 Mohave Elective Cooperative?

13 A. There are some similarities.

14 Q. Well, how similar it?

15 A. The mountains that I had mentioned.

16 Q. And what differences are there?

17 A. Well, the wording is different and that part of
18 it is different, but the mountains are the similar
19 mountains.

20 Q. So the words are different but the image is the
21 same?

22 A. And that goes back to how we were originally
23 formed. That's the only reason it's still there.

24 Q. Do you think any customers, given that you
25 currently have the same logo and a similar name and in

1 that you run both companies, might assume that Mohave
2 Electric Cooperative is providing financial support to
3 Mohave Cooperative Services or is there to stand behind
4 its financial obligations and its obligation to provide
5 service?

6 A. I don't -- I'm just trying to think back. I
7 don't have any -- or I did not have any discussion or I
8 don't recall any discussion with anybody that asked the
9 question over the past three or four years about is
10 Mohave Electric supporting Mohave Cooperative Services.
11 I don't even recall anybody ever even asking that
12 question.

13 Q. Regardless of whether someone is asking the
14 question, do you believe that customers may have the
15 impression that MEC is standing behind the obligations
16 of Mohave Cooperative Services?

17 A. I can't speak on behalf of the customers, but I
18 would imagine, just like anything, if you go out there
19 and ask enough people, you would find somebody that
20 would believe it.

21 MR. SABO: Thank you, sir.

22 ALJ WOLFE: Do you have any redirect,
23 Mr. Patten?

24 MR. PATTEN: Just a bit of clarification on the
25 transfer and basically the buyout by DirectTV.

1 REDIRECT EXAMINATION

2

3 Q. (BY MR. PATTEN) Through the transfer of the
4 customers to DirectTV, they're going to pay you a
5 monthly amount for some period of time for the right to
6 get the customer from you; is that correct?

7 A. That's correct.

8 Q. And you are no longer paying for the actual
9 satellite TV service that you were then reselling to
10 the customer; is that correct?

11 A. That's correct.

12 Q. And the monthly payments are relatively
13 equivalent to the margin you were recognizing between
14 the cost of satellite service and the rates that you
15 were charging your customers; is that correct?

16 A. Yes.

17 MR. PATTEN: All right. Nothing further.

18 ALJ WOLFE: Thank you. Thank you for your
19 testimony today, Mr. Broz. You're excused.

20 (Mr. Broz was excused as a witness.)

21 ALJ WOLFE: Mr. Sabo, do you wish to call your
22 witness at this time or do you want some time?

23 MR. SABO: Could I have just one minute, Your
24 Honor?

25 ALJ WOLFE: Yes.

1 MR. SABO: Thank you.

2 Thank you, Your Honor. Staff calls Mr. Adam
3 Lebrecht.

4

5 ADAM LEBRECHT,

6 called as a witness on behalf of Staff, having been
7 first duly sworn by the Certified Court Reporter to
8 speak the whole truth and nothing but the truth, was
9 examined and testified as follows:

10

11 DIRECT EXAMINATION

12

13 Q. (BY MR. SABO) Good afternoon. Please state
14 your name and business address for the record.

15 A. My name is Adam Lebrecht. Last name is spelled
16 L-E-B-R-E-C-H-T. The address is 1200 West Washington
17 Street, Phoenix, Arizona, 85007.

18 Q. And by whom are you employed and in what
19 capacity?

20 A. I'm employed by the Arizona Corporation
21 Commission, and currently hold the title of Executive
22 Consultant I.

23 Q. And in your position -- I didn't know you were
24 Executive Consultant I. Congratulations.

25 A. Thank you.

1 Q. In your position as Executive Consultant I, do
2 your duties include a review of applications for
3 CC&N's?

4 A. Yes, they do.

5 Q. And you have performed that analysis in a
6 number of other cases; is that correct?

7 A. That is correct.

8 Q. And you were assigned to work on this case; is
9 that correct?

10 A. That is correct.

11 Q. And you reviewed the application and the
12 responses to data requests submitted by Mohave
13 Cooperative Services?

14 A. That's correct.

15 Q. And based on those and whatever other research
16 you did, you prepared or had prepared under your
17 direction the Staff Report which is marked as
18 Exhibit S-1?

19 A. Yes. That is correct.

20 Q. And do you have any changes or modifications to
21 make to the Staff Report?

22 A. No changes that have not been previously
23 discussed. What I'm alluding to is Recommendation
24 No. 7, I believe, is a direct duplicate of
25 Recommendation No. 2. Recommendation No. 7 should be

1 changed to read; the language concerning the 911 and
2 E-911 services that we spoke about earlier.

3 Q. And by that language, you're referring to the
4 language that is set forth on Exhibit S-2?

5 A. Yes. That's correct.

6 Q. So you would like the language from Exhibit S-2
7 to be substituted in as Recommendation No. 7 on your
8 Staff Report?

9 A. That is correct.

10 Q. And do you have any other modifications to your
11 Staff Report other than that?

12 A. No.

13 Q. And as modified by your testimony here today,
14 and Exhibit S-2, do you adopt the Staff Report as part
15 of your testimony for the purposes of this proceeding?

16 A. Yes, I do.

17 Q. And do you have anything you would like to add
18 at this time?

19 A. Not at this time.

20 MR. SABO: Thank you. Mr. Lebrecht is
21 available for cross-examination.

22 ALJ WOLFE: Mr. Patten.

23 MR. PATTEN: No questions for Mr. Lebrecht.

24 I'm assuming S-1 and S-2 are going to be
25 admitted as exhibits?

1 MR. SABO: Thank you, Mr. Patten. I move the
2 admission of S-1 and S-2.

3 MR. PATTEN: We like those.

4 ALJ WOLFE: There's no objection?

5 MR. PATTEN: No objection.

6 ALJ WOLFE: S-1 and S-2 are admitted.
7

8 EXAMINATION
9

10 Q. (BY ALJ WOLFE) Good afternoon, Mr. Lebrecht.

11 A. Good afternoon.

12 Q. You were here while your attorney was asking
13 questions about customers' possible perception of
14 confusion between MC Services, or I should say Mohave
15 Electric Cooperative Services, Inc. and Mohave Electric
16 Cooperative?

17 A. Yes. I was here.

18 Q. Does Staff have any recommendations based on
19 that line of questioning and the answers?

20 A. Staff just believes that the Applicant should
21 take any means necessary to separate the two so there a
22 is no confusion by customers. At this time I believe
23 that the steps which the Applicant has indicated that
24 it will go through should meet those ends.

25 Q. Okay. And as far as the late-filed exhibits

1 that your attorney was asking the Applicant about, does
2 Staff plan to look at those and file a response if
3 necessary to those?

4 A. Specifically are you speaking of financial
5 statements and the agreements between -- that the
6 applicant spoke of between the Applicant and other
7 companies?

8 Q. Those were --

9 A. Associated with.

10 Q. Those were two of the -- yes, that were
11 mentioned. So just respond with regard to those two.

12 A. Yes. Staff would have no problem looking over
13 those and making recommendations if there -- make
14 recommendations if they would change any current
15 recommendations in the Staff Report.

16 Q. Okay. How long after those are filed would
17 Staff need to analyze those and file a response?

18 A. If Staff had a response that would change
19 recommendations, I do not believe that Staff would need
20 more than 10 to 15 days. I understand that's a broad
21 scope, and we can refine that if need be.

22 Q. 14 days is a nice round number.

23 A. That will work.

24 Q. Okay. There was also -- and your attorney, I'm
25 sure, will correct me if I'm wrong. I think he

1 mentioned the filing of a copy of the contract between
2 Laughlin Ranch Services and the Applicant.

3 Do you recall that?

4 A. I recall a mention of that topic, yes.

5 Q. Does Staff think that that is necessary?

6 A. I just want to make sure that I'm clear where
7 I'm at. It was the Laughlin Ranch would be the --
8 could you refresh my memory exactly what the contract
9 concerned?

10 Q. And Mr. Patten can correct me if I'm misstating
11 the testimony. I don't want to say what's already been
12 put on the record and say it wrong.

13 Laughlin Ranch Services is going to be
14 providing data and TV services to Laughlin Ranch.

15 A. Okay. Now I do remember what you're speaking
16 of. And, obviously, more information is always better.
17 However, I do not believe that that, at this time,
18 would change any recommendations which I have made on
19 the Staff Report.

20 Q. All right. I think that you have already
21 cleared up any questions that I might have had, except
22 for I had a question about the fair value rate base
23 finding of zero.

24 Could you tell me how Staff arrived at that?

25 A. Staff asked the question concerning the value

1 of any assets in Arizona pertaining to this service. I
2 believe the Applicant -- I do not have all of my file
3 in front of me. I believe the Applicant indicated that
4 it was zero.

5 Q. I think that the answer is in Exhibit A-1. You
6 should have the exhibit in front of you. Just take
7 your time and look at that.

8 A. In A-1, it looks like No. 4 says the projected
9 value of all assets for MCS's telecommunications
10 operation is greater than zero but will probably be
11 less than 50,000.

12 And I'm looking to see --

13 MR. SABO: And, Your Honor, if I could also
14 direct the witness's attention to question E-4, No. 4.

15 ALJ WOLFE: Yes.

16 THE WITNESS: That is what I read. It was the
17 projected value of all assets for MCS's
18 telecommunications operation is greater than zero, but
19 will probably be less than 50,000. The Staff is
20 concerned with the current value and not the projected
21 value.

22 MR. SABO: And I'm sorry, Your Honor. If I
23 could direct the witness's attention to the answer
24 right above that that states the current value.

25 THE WITNESS: I apologize. MCS has no

1 exclusively Arizona jurisdictional assets at this time.

2 Q. (BY ALJ WOLFE) And that's a response to which
3 question?

4 A. B-3. I can read that out if -- or B-4, No. 3.
5 I apologize.

6 Q. Okay. B-4, No. 3. Okay. Thank you.

7 A. Thank you.

8 ALJ WOLFE: I don't have any more questions.

9 Do you have any redirect, Mr. Sabo?

10 MR. SABO: No, thank you, Your Honor.

11 ALJ WOLFE: I think that was it. Okay. Thank
12 you for your testimony today, Mr. Lebrecht.

13 (Mr. Lebrecht was excused as a witness.)

14 ALJ WOLFE: Do you have any closing statement
15 to make, Mr. Patten?

16 MR. PATTEN: Your Honor, we would just urge you
17 to grant the application. I think it's an opportunity
18 for additional infrastructure investment in Arizona
19 which creates competing facilities and true competition
20 and true choice for the customers of the Bullhead City
21 area.

22 ALJ WOLFE: And Mr. Sabo.

23 MR. SABO: Your Honor, we would concur in that
24 recommendation and would support the granting of a
25 Certificate of Convenience and Necessity.

1 As some of my questions indicated, there are
2 some affiliate issues here. Really, though, they would
3 go more towards the matters that should be considered
4 in a rate case for Mohave Electric Cooperative rather
5 than matters that would directly bear on the granting
6 of a CC&N here. So we would support the granting of a
7 CC&N to Mohave Cooperative Services.

8 ALJ WOLFE: Thank you. And I have some
9 procedural matters that I skipped over here.

10 There are two late-filed exhibits that the
11 company has agreed to make, Mr. Patten. Are you in
12 agreement with that?

13 MR. PATTEN: Yes, Your Honor. The Mohave
14 Cooperative Services/Mohave Electric Cooperative
15 agreement on employees and how that's billed. That was
16 the first one, and the second one is the audited 2003
17 financials.

18 ALJ WOLFE: Okay. Let's call the first one
19 late-filed Exhibit A-3, and I think that's been
20 sufficiently identified. I'll go ahead and admit that
21 at this time unless there's an objection.

22 MR. SABO: Your Honor, sorry. Was that the
23 contract?

24 ALJ WOLFE: Yes.

25 MR. SABO: Okay.

1 ALJ WOLFE: Between Mohave Elective Cooperative
2 and Mohave Cooperative Services.

3 MR. SABO: For the employees?

4 ALJ WOLFE: Yes.

5 MR. SABO: Okay. No objection.

6 ALJ WOLFE: Okay. We'll go ahead and admit
7 that one. And then there was the other exhibit, which
8 I'll just refer to as Exhibit A-4, the audited
9 financials for the year 2003.

10 MR. PATTEN: Right.

11 ALJ WOLFE: Okay. And I'll go ahead and admit
12 that as Exhibit A-4.

13 When do you think that you would be able to
14 make those filings, Mr. Patten?

15 MR. PATTEN: I think safely within two weeks,
16 and as soon as we can get them.

17 ALJ WOLFE: All right. So we'll say within
18 14 days. And then 14 days following that, Staff will
19 file a response indicating whether they change Staff's
20 recommendations in this case.

21 MR. SABO: Your Honor, if it's possible just to
22 avoid, you know, performing busy work, we would ask
23 that the filing only be required if Staff has a change
24 to its recommendations. And, if not, our silence in
25 filing will be taken as a statement that we don't want

1 to change our recommendation within the 14-day period
2 that you indicated.

3 ALJ WOLFE: Well, Mr. Sabo, with all due
4 respect, I would really prefer having something on the
5 record that Staff has reviewed the late-filed exhibits
6 and has no changes to its recommendation based thereon,
7 since it was Staff who asked for the late-filed
8 exhibits.

9 MR. SABO: Yes, Your Honor.

10 ALJ WOLFE: Unless you feel that they're not
11 necessary. We can certainly save the company the time
12 making the filings as well.

13 MR. SABO: Well, Your Honor, with regard to the
14 audited 2003 statements, the witness did testify --
15 after agreeing to file them, he did testify that there
16 was no material change between the audited and the
17 unaudited that we already have. So I guess we're okay
18 with not having those since we have got his testimony
19 on the record describing them.

20 And then, likewise, with regard to the employee
21 contract, I mean, I think that would be an interesting
22 contract to review, but there is sufficient, I think,
23 evidence in the record in terms of testimony about how
24 that works. It might be something that we again would
25 want to look at, especially in setting rates for MEC to

1 make sure that that relationship is proper. But as
2 long as the approval of the CC&N here isn't taken as an
3 endorsement of that particular contract, I don't think
4 that there's a need to submit that either.

5 ALJ WOLFE: Okay. So the late-filed exhibits
6 that I admitted need not be provided by the company.

7 MR. PATTEN: All right. Thank you, Your Honor.

8 ALJ WOLFE: Thank you very much. And I'll take
9 this matter under advisement pending my submission of a
10 recommended opinion and order to the Commission for
11 their final disposition. Thanks.

12 (The Hearing concluded at 2:50 p.m.)

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1 STATE OF ARIZONA)
2) ss.
3 COUNTY OF MARICOPA)
4
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13 WITNESS my hand this 6th day of February, 2005.
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